
**REQUIRED
SUPPLEMENTARY INFORMATION—
Other than Management's Discussion and Analysis
(UNAUDITED)**

REQUIRED SUPPLEMENTARY INFORMATION**Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)****BUDGETARY GENERAL FUND****For the Fiscal Year Ended June 30, 2003****(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Regular sources				
Retail sales tax.....	\$ 2,168,330	\$ 2,106,974	\$ 2,060,660	\$ (46,314)
Income tax, individual.....	2,307,231	1,916,316	1,859,125	(57,191)
Income tax, corporation.....	167,730	107,653	101,385	(6,268)
Total income and sales tax.....	4,643,291	4,130,943	4,021,170	(109,773)
Admissions tax.....	35,762	33,952	31,813	(2,139)
Aircraft tax.....	3,118	2,549	3,183	634
Alcoholic liquor tax.....	51,265	46,226	51,062	4,836
Bank tax.....	9,793	28,888	21,320	(7,568)
Beer and wine tax.....	91,786	91,829	91,086	(743)
Business license tax.....	28,619	28,863	29,192	329
Coin-operated device tax.....	2,500	2,500	2,379	(121)
Corporation license tax.....	68,036	70,651	64,380	(6,271)
Departmental revenue (primarily fees for services).....	55,863	60,863	55,096	(5,767)
Documentary tax.....	37,473	38,785	37,844	(941)
Earned on investments.....	38,400	21,200	21,635	435
Electric power tax.....	25,119	23,817	24,012	195
Estate tax.....	38,439	50,417	43,636	(6,781)
Insurance tax.....	117,710	136,948	134,082	(2,866)
Motor transport fees.....	3	15	5	(10)
Motor vehicle licenses.....	51,716	48,631	52,636	4,005
Petroleum inspection tax.....	8,579	8,049	8,007	(42)
Private car lines tax.....	3,827	3,477	2,614	(863)
Public Service Authority.....	10,473	11,284	10,484	(800)
Retailers' license tax.....	822	883	909	26
Savings and loan association tax.....	2,439	4,395	3,426	(969)
Workers' compensation insurance tax.....	9,209	11,207	12,296	1,089
Total regular sources.....	5,334,242	4,856,372	4,722,267	(134,105)
Miscellaneous sources				
Circuit and family court fines.....	10,288	9,667	9,689	22
Debt service reimbursement.....	3,751	3,751	3,286	(465)
Indirect cost recoveries.....	22,893	22,893	22,112	(781)
Mental health fees.....	3,800	3,800	3,800	—
Parole and probation supervision fees.....	3,392	3,392	3,393	1
Unclaimed property fund transfer.....	6,600	6,600	6,600	—
Nonrecurring revenue.....	143,479	143,479	196,479	53,000
Total miscellaneous sources.....	194,203	193,582	245,359	51,777
Other unbudgeted revenues.....	—	—	175	175
Total revenues.....	5,528,445	5,049,954	4,967,801	(82,153)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Expenditures:				
Legislative.....	\$ 28,985	\$ 26,616	\$ 25,205	\$ 1,411
Judicial.....	39,117	35,890	35,841	49
Executive and administrative.....	254,212	135,917	124,843	11,074
Educational.....	2,918,824	2,685,036	2,657,777	27,259
Health.....	1,027,739	941,971	941,443	528
Social rehabilitation services.....	118,120	108,930	108,920	10
Correctional and public safety.....	481,033	469,350	469,350	—
Conservation, natural resources, and development.....	154,434	142,150	138,256	3,894
Regulatory.....	51,968	47,697	47,305	392
Transportation.....	486	444	444	—
Debt service.....	226,993	226,993	212,059	14,934
Miscellaneous.....	238,470	233,148	233,138	10
Total expenditures.....	5,540,381	5,054,142	4,994,581	59,561
Net decrease in fund balance—				
budgetary basis.....	(11,936)	(4,188)	(26,780)	(22,592)
Fund balance (deficit) at beginning of year—				
budgetary basis.....	26,213	(104,447)	(104,447)	—
Fund balance (deficit) at end of year—budgetary				
basis.....	\$ 14,277	\$ (108,635)	\$ (131,227)	\$ (22,592)

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)

OTHER BUDGETED FUNDS

For the Fiscal Year Ended June 30, 2003

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget— Positive (Negative)
	Original	Final		
Revenues:				
Federal.....	\$ 4,622,626	\$ 5,599,917	\$ 5,226,040	\$ (373,877)
Earmarked.....	2,863,437	4,046,973	3,266,271	(780,702)
Restricted.....	2,053,471	2,317,057	2,063,597	(253,460)
Total revenues.....	9,539,534	11,963,947	10,555,908	(1,408,039)
Expenditures:				
Legislative.....	1,513	6,039	4,937	1,102
Judicial.....	150	13,373	9,574	3,799
Executive and administrative.....	311,910	397,224	298,927	98,297
Educational.....	3,039,633	3,569,230	3,073,939	495,291
Health.....	3,738,002	4,616,247	4,283,472	332,775
Social rehabilitation services.....	843,160	981,893	882,565	99,328
Correctional and public safety.....	210,213	312,324	231,821	80,503
Conservation, natural resources, and development.....	208,596	262,778	191,328	71,450
Regulatory.....	172,244	307,155	258,728	48,427
Transportation.....	1,082,350	1,619,141	1,384,020	235,121
Enterprise.....	—	2,651	2,651	—
Total expenditures.....	9,607,771	12,088,055	10,621,962	1,466,093
Net increase (decrease) in fund balance— budgetary basis.....	(68,237)	(124,108)	(66,054)	58,054
Fund balance at beginning of year— budgetary basis.....	999,548	1,224,119	1,224,119	—
Fund balance at end of year—budgetary basis.....	\$ 931,311	\$ 1,100,011	\$ 1,158,065	\$ 58,054

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriation Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedule as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriation Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriation Act from the Total Funds column in the Appropriation Act are referred to within these notes and in the accompanying schedules as *Other Budgeted Funds*.

b. Perspective Differences

Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is defined by GAAP. Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences are *not* significant enough to prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund.

In contrast, however, there are *significant* perspective differences between the Other Budgeted Funds and the State's GAAP funds, including its major special revenue funds. These perspective differences are so significant that the State is unable to present separate budgetary comparison schedules for its major special revenue funds. Accordingly, effective with its fiscal year beginning July 1, 2002, the State instead has presented a budgetary comparison schedule for its Other Budgeted Funds in accordance with GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*.

NOTE 2: ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriation Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriation Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original estimated revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in Section 71 (*Revenue*) of the Appropriation Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriation Act.

The accompanying schedule for the Budgetary General Fund presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as for the legally enacted budget.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request, however, may exceed twenty percent of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative officials, has the authority to restrict transfers of appropriations between personal service and other operating accounts.

The Appropriation Act for the 2002-2003 fiscal year directs the Budget and Control Board to reduce the Budgetary General Fund's appropriations during the year if necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

b. Other Budgeted Funds

The *original appropriations* presented in the accompanying schedule for Other Budgeted Funds include the amounts displayed in the Appropriation Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classifications, and format of the appropriations section of the accompanying schedule for Other Budgeted Funds is substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, Section 70 (*Recapitulation*) of the Appropriation Act includes net *source of funds*

Notes to the Required Supplementary Information--Budgetary

amounts (i.e., estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. The *original estimated revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the State Budget Office's breakdown of the source of funds amounts.

As operating conditions change, departments and agencies may request revisions of budgeted amounts in Other Budgeted Funds. Such changes require the Budget and Control Board's approval. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects. The Budget and Control Board and the Joint Bond Review Committee must approve and review those changes.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Act for the 2002-2003 fiscal year has approximately 2,600 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- (i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 20.
- (ii) Certain revenues collected in advance are recorded as liabilities (deferred revenues) rather than as revenues.
- (iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, and retail sales taxes.

- (iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.
- (v) All other revenues are recorded only when the State receives the related cash.

NOTE 5: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Educational expenditures in budgeted accounts aside from the General Fund exceeded appropriations by \$14.029 million at the legal level of control. Appropriations associated with the State's technical colleges are budgeted under the State Board for Technical and Comprehensive Education (the State Board). However, the sixteen colleges record the corresponding expenditures. Each college had sufficient budgetary-basis revenue and cash to provide for its budgetary-basis expenditures. To prevent an excess of expenditures over revenues in the future, the State Board plans to obtain updated expenditure estimates from the colleges during the fiscal year so that it can request additional spending authority to cover those expenditures.

NOTE 6: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles, however, differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net decrease in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. These differences (expressed in thousands) for the fiscal year ended June 30, 2003, were as follows:

Notes to the Required Supplementary Information--Budgetary

Budgetary funds	Budgetary General Fund	Other Budgeted Funds	Major Special Revenue Funds			
	General Fund	Not Applicable	Departmental General Operating	Local Government Infrastructure	Department of Transportation Special Revenue	State Tobacco Settlement
GAAP funds						
Net decrease in fund balance—budgetary basis	\$ (26,780)	\$ (66,054)	\$ —	\$ —	\$ —	\$ —
Perspective differences:						
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds		17,056				
Other Budgeted Funds attributable to major governmental GAAP funds		(48,998)				
Other Budgeted Funds reclassified among the State's major governmental GAAP funds	(1,630)	48,998	54,985	(157,216)	57,307	(2,444)
Basis of accounting differences	(45,292)		(2,671)	(194,012)	(244,988)	(254)
Entity differences	67,283		342	428,949	—	(126,887)
Net increase (decrease) in fund balance—GAAP basis	<u>\$ (6,419)</u>	<u>\$ —</u>	<u>\$ 52,656</u>	<u>\$ 77,721</u>	<u>\$ (187,681)</u>	<u>\$ (129,585)</u>

REQUIRED SUPPLEMENTARY INFORMATION

National Guard Pension System

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Biennial Actuarial Valuation Date June 30	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL As a Percentage of Covered Payroll ((b-a)/c)
1998	\$ 8,640	\$ 41,478	\$ 32,838	20.8%	\$ 40,333	81.4%
2000	11,089	43,427	32,338	25.5%	40,789	79.3%
2002	12,608	44,678	32,070	28.2%	45,711	70.2%

The unfunded actuarial accrued liability expressed as a percentage of covered payroll is a measure of the significance of the unfunded actuarial liability relative to the State's capacity to pay it. The funded ratio represents the assets expressed as a percentage of the actuarial accrued liability. The trend in those two ratios provides

information about whether the financial strength of the plan is improving or deteriorating over time. An improvement is indicated when the funded ratio is increasing and the ratio of the unfunded actuarial liability to active covered payroll is decreasing. The State Adjutant General's Office administers the plan.

REQUIRED SUPPLEMENTARY INFORMATION**National Guard Pension System****SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in Thousands)

Fiscal Year Ended June 30	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
1998	\$ 3,085	81.0%
1999	3,200	78.1%
2000	3,200	78.1%
2001	2,996	82.6%
2002	2,996	75.3%
2003	2,870	74.3%

The schedule of employer contributions provides information about the required contributions of the State and the extent to which those contributions are being made. The schedule gives an indication of the progress made in accumulating sufficient assets to pay benefits when

due. The State Adjutant General's Office administers the plan.

The information presented above was determined as part of the actuarial valuations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date.....	June 30, 2002
Actuarial cost method.....	Entry age normal
Amortization method.....	Level dollar, open
Remaining amortization period.....	30 years
Asset valuation method.....	Market
Actuarial assumptions:	
Investment rate of return.....	7.25%
Projected salary increases.....	Not applicable
Assumed inflation rate	4.25%
Assumed cost-of-living adjustments.....	Not applicable